

APM-CASEY-410

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URGENT

ATTORNEY GENERAL CLEARS CASEY OF WRONGDOING

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WASHINGTON (AP) - ATTORNEY GENERAL WILLIAM FRENCH SMITH ANNOUNCED TODAY THAT A JUSTICE DEPARTMENT INVESTIGATION HAD FOUND NO EVIDENCE TO SUPPORT ALLEGATIONS THAT CIA DIRECTOR WILLIAM J. CASEY VIOLATED THE FOREIGN AGENTS REGISTRATION ACT AS A PRIVATE LAWYER IN 1976.

SMITH SAID HE HAD CONDUCTED AN INVESTIGATION TO DETERMINE WHETHER A SPECIAL PROSECUTOR SHOULD BE APPOINTED TO PURSUE PUBLISHED ALLEGATIONS AGAINST CASEY EARLIER THIS YEAR.

SOME PRESS REPORTS SAID CASEY HAD REPRESENTED THE GOVERNMENT OF INDONESIA AND ITS NATIONAL OIL COMPANY IN NEGOTIATIONS WITH OFFICIALS OF THE TREASURY DEPARTMENT AND THE INTERNAL REVENUE SERVICE.

CASEY WAS TRYING TO FIND A WAY TO RESTORE TAX CREDITS FOR PAYMENTS MADE BY U.S. OIL COMPANIES TO THE INDONESIAN OIL MONOPOLY. THE IRS HAD RULED IN 1975 THAT THE PAYMENTS DID NOT QUALIFY FOR CREDITS.

CASEY, ACCORDING TO DOCUMENTS WHICH HAVE BEEN MADE PUBLIC IN THE CASE, WAS SEEKING A LETTER FROM THE IRS INDICATING THAT THE OIL COMPANIES COULD RESUME GETTING TAX CREDITS IF INDONESIA CHANGED THE WORDING OF THE CONTRACT UNDER WHICH IT HAD SOLD OIL TO AMERICAN COMPANIES.

CASEY DID NOT, HOWEVER, REGISTER AS THE AGENT OF A FOREIGN GOVERNMENT UNDER THE TERMS OF THE ACT.

SMITH SAID THAT THE DEPARTMENT'S INVESTIGATION FOUND THAT CASEY WAS NOT REQUIRED TO REGISTER BECAUSE HIS REPRESENTATION OF INDONESIA "DID NOT INVOLVE EFFORTS TO CHANGE U.S. POLICY."

"THE EVIDENCE INDICATES THAT MR. CASEY'S REPRESENTATION OF INDONESIA WAS LIMITED TO EFFORTS TO OBTAIN, AS EXPEDITIOUSLY AS POSSIBLE, AN AGREEMENT WITH THE INTERNAL REVENUE SERVICE, AS TO THE CHANGES THAT WOULD BE NECESSARY IN INDONESIAN OIL PRODUCTION SHARING CONTRACTS AND TAX CODE TO ENSURE THAT PAYMENTS MADE UNDER THE CONTRACTS WOULD BE CREDITABLE UNDER THE UNITED STATES TAX LAW," SMITH SAID IN HIS REPORT TO THE U.S. COURT OF APPEALS IN WASHINGTON.

CIA SPOKESMAN DALE PETERSON SAID CASEY HAD NO IMMEDIATE COMMENT ON THE ATTORNEY-GENERAL'S DECISION.

THE JUSTICE DEPARTMENT SAID THE REPORT WAS FILED SECRETLY ON WEDNESDAY AND RELEASED AT SMITH'S REQUEST TODAY.

UNDER U.S. TAX LAW, OIL COMPANIES THAT BUY OIL FROM FOREIGN GOVERNMENTS CAN GET A CREDIT REDUCING THEIR U.S. TAX OBLIGATIONS BY THE AMOUNT THEY PAY IN TAXES TO THE FOREIGN GOVERNMENT, BUT THEY GET ONLY A BUSINESS EXPENSE DEDUCTION FOR THE SPENDING CLASSIFIED AS ACTUAL PAYMENTS TO THE FOREIGN GOVERNMENT FOR THE OIL.

THE TREASURY DEPARTMENT CHANGED ITS INTERPRETATION OF THE INDONESIAN SITUATION Sanitized Copy Approved for Release 2010/08/27 : CIA-RDP90-00552R000606260015-7